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# The 1988 Revision of 28 U.S.C. 1391(C): Corporate Venue Is Now Equivalent to In Personam Jurisdiction Effects on Civil Actions for Patent Infringement

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# THE 1988 REVISION OF 28 U.S.C. § 1391(C): CORPORATE VENUE IS NOW EQUIVALENT TO IN PERSONAM JURISDICTION EFFECTS ON CIVIL ACTIONS FOR PATENT INFRINGEMENT

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Venue concerns the convenience and fairness of the location of the court to the parties involved in the trial of an action. In contrast, jurisdictional questions are concerned with the court's power over the parties or subject matter of a civil action. Venue is a personal right subject to waiver either by stipulation or involuntarily by failing to assert timely objection to improper venue. If improper venue is raised in a timely manner, the normal response of the court is to transfer the action to a location where venue is proper, if such is available.<sup>1</sup>

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<sup>1</sup> By contrast, improper or lack of personal jurisdiction may result in dismissal of the action, unless the defendant has waived the right to contest it by failing to contest it in his answer or pre-answer motion. Improper or lack of subject matter jurisdiction may be asserted at any time, and normally results in dismissal of the action.

Venue requirements in most statutes are based on some relationship between the locale of the court, the parties, and any real property involved in the action. Venue may be based on the residence of plaintiff or defendant, the jurisdiction in which the cause of action arose, or the location of property involved in the action.

Venue in federal cases is controlled by the general venue statute unless there exists an applicable special venue statute that attaches to the particular cause of action under consideration. This note is concerned with the section of the general venue statute applicable to corporate defendants and its interaction with the special venue statute for civil actions in patent infringement cases (hereinafter "patent venue statute").

Congress amended the general venue statute for corporations as part of the Judicial Improvements and Access to Justice Act of 1988,<sup>2</sup> with the stated intent of clarifying in which district in a multi-district state venue properly could be laid for a corporate defendant.<sup>3</sup> The resulting amendment has statutorily equated venue for corporate defendants with any district in which personal jurisdiction can be obtained, thus accomplishing a long-sought goal of many courts and legal commentators.<sup>4</sup> By its explicit language, the new residence definition for corporations replaces that of the patent venue statute, essentially obviating the need for a separate special venue statute for patent infringement cases involving corporate defendants. The change will have significant effects in such cases by broadening venue choices for plaintiffs and by aligning venue in infringement cases with venue in other suits arising under the patent laws.<sup>5</sup>

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<sup>2</sup> Judicial Improvements and Access to Justice Act of 1988, Pub. L. No. 100-702, tit. X, § 1013(a), 102 Stat. 4642, 4669 (codified as amended in scattered sections of 28 U.S.C.), [hereinafter the "1988 Act."]

<sup>3</sup> H. R. REP. NO. 889, 100th Cong., 2nd Sess. 70, reprinted in 1988 U.S. CODE CONG. & ADMIN. NEWS 5982, 6031.

<sup>4</sup> See 15 CHARLES A. WRIGHT, ET. AL., FEDERAL PRACTICE AND PROCEDURE (2d ed. 1986) § 3811 at 117-123. 1A(2) JAMES W. MOORE, ET. AL., MOORE'S FEDERAL PRACTICE, ¶ 0.342 [5-1-3] at 4119 (2d ed. 1990). In support of this position, Professor Moore argued prior to the 1988 amendment that venue should be regarded as proper whenever the court has jurisdiction over the corporation. However, at the time Moore was arguing for a connection between the pre-1988 Act "doing business" of § 1391(c) and personal jurisdiction. 1 MOORE, ¶ 0.142 (2d ed. 1985) (the material formerly at 1 MOORE, ¶ 0.142, is now found at 1A(2) MOORE, ¶ 0.342 (2d ed. 1987)).

<sup>5</sup> See generally, David S. Welkowitz, *Some Thoughts on Corporate Venue and Other Foibles*, 10 WHITTIER L. REV. 721 (1989). Actions such as a declaratory judgment of patent invalidity and noninfringement are brought under the general venue statute; the patent venue statute applies only to "civil actions for patent infringement." 28 U.S.C. § 1400(b) (1976).

## I. A BRIEF HISTORY OF FEDERAL VENUE PROVISIONS

A. *The First Judiciary Act, 1789*

As a first step in the discussion of venue, it is necessary to go back in history over 200 years. From the creation of the federal judiciary<sup>6</sup> in 1789 until 1887, there was no separate venue statute for federal civil cases.<sup>7</sup> The section of the 1789 Judiciary Act defining the jurisdiction of the federal courts included a provision making venue proper in any district where the defendant was an inhabitant or could be found.<sup>8</sup>

B. *Venue in the Late Nineteenth Century*

In 1887, Congress amended the jurisdictional provisions for the federal courts, eliminating the term "or where he may be found" as a basis for venue in civil actions. Thus, venue was limited in a non-diversity case to the district in which the defendant was an inhabitant.<sup>9</sup> This statute is generally considered to be the predecessor of today's general venue statute, 28 U.S.C. § 1391.<sup>10</sup> A corporation has for many years been deemed to be an inhabitant of the place of its incorporation.<sup>11</sup>

For example, under the 1887 venue provision a patentee<sup>12</sup> who lived in and had been the victim of acts of infringement committed in California

<sup>6</sup> Judiciary Act of 1789, ch. 20, § 11, 1 Stat. 78. *Chaffee v. Hayward*, 61 U.S. (20 How.) 208, 216 (1857), held patent infringement suits subject to this Act's venue provisions.

<sup>7</sup> See 15 WRIGHT, *supra* note 4, § 3802, p.8 (Supp. 1990).

<sup>8</sup> Judiciary Act of 1789, ch. 20, § 11, 1 Stat. 78-79, reads in pertinent part: "And no civil suit shall be brought before either of said courts against an inhabitant of the United States, by any original process in any other district than that whereof he is an inhabitant, or in which he shall be found at the time of serving the writ, . . ." *Id.* at 79.

<sup>9</sup> Act of March 3, 1887, ch. 373, 24 Stat. 552, as corrected by the Act of August 13, 1888, ch. 866, 25 Stat. 433. The 1888 correction did not pertain to venue. Venue choices in diversity suits became wider than in Federal question cases, due to this act, and persisted until passage of the Judicial Improvements Act of 1990, Pub. L. No. 101-650, tit. III, 104 Stat. 5089 (codified as amended in scattered sections of 28 U.S.C. See *infra*, note 25).

<sup>10</sup> See "Historical and Revision Notes" at 28 U.S.C.A. § 1391 (West 1976); 15 WRIGHT, *supra* note 4, § 3802 at 9.

<sup>11</sup> *Suttle v. Reich Bros. Constr. Co.*, 333 U.S. 163, 166 (1948), *reh denied* 333 U.S. 878 (1948); *Bank of Augusta v. Earle*, 38 U.S. (13 Pet.) 519 (1839) ("[A] corporation can have no legal existence out of the boundaries of the sovereignty by which it was created. . . . It must dwell in the place of its creation, and cannot inigrate to another sovereignty.") See MOORE, *supra* note 4, ¶ 0.342 [5.-1-3] at 4107.

<sup>12</sup> Throughout this note, a civil action for patent infringement will be used in examples.

by an infringer who was an inhabitant of New York would have had to bring suit in New York to protect his rights. Some District courts found reasons for avoiding the harsh results of this statute, but there was much conflict since other courts adhered strictly to the statute.<sup>13</sup> During the ten years after 1887, conflicting decisions arose among the circuits regarding patent infringement actions under this venue provision.<sup>14</sup> Two Supreme Court decisions failed to clarify the situation and, in fact, added to the confusion.<sup>15</sup> Congress intervened in 1897, and passed the predecessor of the present patent venue statute<sup>16</sup> with the stated intent of making it easier for patentees to protect their rights; i.e., broadening the venue possibilities for patent infringement actions.<sup>17</sup> Thus, in the above example, the California patentee could also properly bring suit in California under the 1897 law. It is noteworthy that at the time it was passed, this special venue statute was broader than the general venue provision; it afforded two options for proper venue, while the general venue provision statute allowed only one.<sup>18</sup> The venue statute for patent infringement suits has remained little changed in the ninety years since it was created, using the same test today as in 1897.<sup>19</sup> However, the definition of residence for corporate defendants was modified by the 1988 Act, and that definition from § 1391(c) has been held to apply to the patent venue statute.

### C. 1948-1988: Broadening Venue Generally

In contrast to the patent venue statute, the general venue statute has been considerably modified over the years and has become much broader.<sup>20</sup> In 1948 the word "resident" was substituted for "whereof he is an inhabitant", and the collective terms for defendant and plaintiff were substi-

<sup>13</sup> 29 CONG. REC. 1900, 1901 (1897).

<sup>14</sup> Courts applying 1887/1888 Act to patent cases: *National Typewriter v. Pope Mfg. Co.*, 56 F. 849 (D. Mass. 1893); *Halstead v. Manning, Bowman & Co.*, 34 F. 565 (S.D. N.Y. 1888); *Miller Hagee Co. v. Carpenter*, 34 F. 433 (S.D. Ohio 1888).

Courts refusing to apply 1887/1888 Act to patent cases: *Smith v. Sargent Mfg. Co.*, 67 F. 801 (S.D. N.Y. 1895); *Noonan v. Chester Park Athletic Club*, 75 F. 334 (S.D. Ohio 1896); *Earl v. Southern Pac. Co.*, 75 F. 609 (N.D. Cal. 1896).

See additional cases cited at 29 CONG. REC. 1900, 1901 (1897).

<sup>15</sup> *In re Hohorst*, 150 U.S. 653 (1893); *In re Keasby & Mattison Co.*, 160 U.S. 221 (1895).

<sup>16</sup> Act of March 3, 1897, ch. 395, 29 Stat. 695.

<sup>17</sup> 29 CONG. REC. at 1901.

<sup>18</sup> The 1887 Act limited venue to the judicial district "whereof [the defendant] is an inhabitant." 24 Stat. at 552. In contrast, the patent venue statute allowed suit to be brought in either the district wherein the defendant was an inhabitant or in a district in which defendant had a regular and established place of business and had committed acts of infringement. Compare the statutory provisions in notes 21 and 43, *infra*.

<sup>19</sup> See text of 28 U.S.C.A. § 1400(b) *infra*, n. 43.

<sup>20</sup> See WRIGHT, *supra* note 4, § 3811, at 100-105; n. 9 at 103.

tuted for the singular in § 1391(a).<sup>21</sup> Section 1391(c), which controls venue for corporate defendants, was created in 1948.<sup>22</sup> This statute constituted a considerable liberalization over prior law of venue in suits involving such defendants and overcame the many hardships and inequities created under the old venue statute. Under the old statute, a corporation could only be sued in the district in which it was incorporated.<sup>23</sup> Many courts, nonetheless, had found various devices for avoiding these problems.<sup>24</sup>

The comparatively liberal nature of diversity venue in § 1391(a) was retained in the 1948 revision and recodification, and was amended to arguably further broaden venue in diversity cases in 1990.<sup>25</sup>

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<sup>21</sup> Section 51 of the Judicial Code, Act of March 3, 1887, ch. 866, 24 Stat. 552, as corrected by Act of August 3, 1888, ch. 373, 25 Stat. 433, was codified as 28 U.S.C. § 112 from 1911 to 1948. Section 112(a) read as follows: "Except as provided in §§ 113 to 117 of this title, no person shall be arrested in one district for trial in another in any civil action before a district court; and, except as provided in §§ 113 to 118 of this title, no civil suit shall be brought in any district court against any person by any original process or proceeding in any other district than that whereof he is an inhabitant; . . ." *Neirbo Co. v. Bethlehem Shipbuilding Corp.*, 308 U.S. 165, 167 (1939).

<sup>22</sup> Prior to the 1988 amendment the statute read:

§ 1391 Venue generally

\* \* \*

(c) A corporation may be sued in any judicial district in which it is incorporated or licensed to do business or is doing business, and such judicial district shall be regarded as the residence of such corporation for venue purposes.

\* \* \*

28 U.S.C. § 1391(c) (West, 1976).

<sup>23</sup> See *supra*, note 21.

<sup>24</sup> See, e.g., *Nierbo Co. v. Bethlehem Shipbuilding Corp.*, 308 U.S. 165, 175 (1939) (in diversity case, where foreign corporation has consented to suit in state courts, it also consented to suit in federal courts in that state.) The Supreme Court upheld this narrow venue statute immediately before the passage of the 1948 Act. *Suttle v. Reich Bros. Const. Co.*, 333 U.S. 163, 166 (1948) (the "residence" of a corporation is in the State and district within which it was incorporated.)

<sup>25</sup> 15 WRIGHT, *supra* note 4, § 3802 at 9, n. 11 (1986). This provision is the broadest of the federal general venue statutes; until December, 1990, it allowed venue to be laid in the district where all defendants or all plaintiffs reside, or where the cause of action arose. "Claim arose" venue was added in 1966. In December, 1990, Title III of the Judicial Improvements Act of 1990, Pub. L. No. 101-650, 104 Stat. 5089, amended § 1391 (a), (b) and (e). Section 1391(a) now reads:

(a) A civil action wherein jurisdiction is founded only on diversity of citizenship may, except as otherwise provided by law, be brought only in (1) a judicial district where any defendant resides, if all defendants reside in the same State, (2) a judicial district in which a substantial part of the events or omissions giving rise to the claim occurred, or a substantial part of property that is the subject of the action is situated, or (3) a judicial district in which the defendants are subject to personal jurisdiction at the time the action is commenced.

Note that venue is no longer proper where all plaintiffs reside, and that, like § 1391(c), venue can be based on personal jurisdiction. 7B MOORE, MOORE'S FEDERAL PRACTICE, 2d ed., JC-575-584.6 (1991). See also T. E. Mengler, et al., *Recent Federal Court Legislation Made Some Noteworthy Changes*, NAT'L. L.J., Dec. 31, 1990, at 21.

### D. The 1988 Amendment of § 1391(c)

Prior to the 1988 amendment, the corporate venue statute allowed a corporation to be sued in any district in which it was incorporated, licensed to do business or doing business.<sup>26</sup> Many problems were experienced in attempting to interpret "doing business" as a basis for selecting venue.<sup>27</sup> This however was not the primary Congressional concern leading to the 1988 amendment of the general venue statute. Congress' concern was with the question of proper venue in states with multiple federal districts.<sup>28</sup> The problem arose when a corporation was haled into court in a district in which it was not doing business, based on its doing business in another district in the same state.<sup>29</sup> The solution of this problem was the stated purpose of the 1988 amendment.<sup>30</sup>

The 1988 Judicial Improvements and Access to Justice Act<sup>31</sup> is perhaps best known for increasing the minimum amount in controversy to \$50,000 for diversity actions in federal court.<sup>32</sup>

Congress amended the corporate venue statute, § 1391(c) of this Act under Title X, Miscellaneous.<sup>33</sup> As a result of this amendment,<sup>34</sup> Section

<sup>26</sup> See *supra* note 22. See also "Historical and Revision Notes", 28 U.S.C.A. § 1391 at 7 (West, 1976).

<sup>27</sup> 15 WRIGHT, *supra* note 4, § 3811 at 113. Compare J.L.G. Indus., Inc. v. Mark Indus. Inc., 684 F. Supp. 1283, 1287 (M.D. Pa. 1982) (Venue improper where defendant had no sales representative, local telephone number or office within the state) with Galonis v. National Broadcasting Co. 498 F. Supp. 789, 791 (D. N.H. 1980) (Venue proper although defendant had no employees or officers permanently located in district).

<sup>28</sup> See generally David D. Siegel, *Changes in Federal Jurisdiction and Practice Under the New Judicial Improvements and Access to Justice Act*, 123 F.R.D. 399 (1989). Siegel is the author of "Commentary on 1988 Revision", 28 U.S.C.A. § 1391 at 7 (1990).

<sup>29</sup> 123 F.R.D. at 406.

<sup>30</sup> *Id.*

<sup>31</sup> Judicial Improvements and Access to Justice Act of 1988, Pub.L. No. 100-702, 102 Stat. 4642 (1988); effective February 17, 1989.

<sup>32</sup> 28 U.S.C. § 1332 (West Supp. 1990); Pub. L. No. 100-702, tit. II, 201 to 203, 102 Stat. 4642, 4646. See generally Richard M. Klein, *A Recent Revision to the General Venue Statute Greatly Expands Plaintiff's Venue Choices Against a Corporate Defendant in Federal Suits for Trademark Infringement or Unfair Competition*, 71 J. PAT. & TRADEMARK OFF. SOC'Y 886 (1989).

<sup>33</sup> See *supra* note 31, Pub. L. No. 100-702, Title X, § 1302(a) 102 Stat. 4646, 4669 (1988).

<sup>34</sup> Following the 1988 amendment in the Judicial Improvements Act, the corporate venue statute reads:

§ 1391 Venue generally

\* \* \*

(c) For purposes of venue under this chapter, a defendant that is a corporation shall be deemed to reside in any judicial district in which it is subject to personal jurisdiction at the time the action is commenced. In a State which has more than one judicial district and in which a defendant that is a corporation is subject to personal jurisdiction at the time an action is commenced, such corporation shall be deemed to reside in any district in that State within which its contacts would be sufficient to subject it to personal jurisdiction if that district were a separate State, and, if there is no such district, the corporation shall be deemed to reside in the district within which it has the most significant contacts.

\* \* \*

28 U.S.C. § 1391(c) (West Supp. 1990).

1391(c) now defines residence for venue purposes as any judicial district in which the corporate defendant would be subject to personal jurisdiction, under the minimum contacts doctrine, if that district were a separate state unto itself.

The second sentence of the 1988 amendment goes far to clarify corporate venue in states having multiple judicial districts. However, the final clause of the second sentence retains some of the ambiguity sought to be eliminated by the amendment. This ambiguity appears in the provision allowing venue when a corporate defendant has fewer contacts than the minimum required in any single federal judicial district of the state, but its total contacts with the state as a whole satisfy the requirements of due process.<sup>35</sup> This provision appears to retain the troublesome "doing business" element of the former § 1391(c), although under the new statute the extent that a corporation is "doing business" will have a bearing on the question of personal jurisdiction, via its contacts with the forum.

In an additional change, being licensed to do business in a district is no longer sufficient for corporate venue in that district; this may be seen as a narrowing of venue under the 1988 amendment.<sup>36</sup> However, since obtaining a license to do business normally involves the state-required appointment of an agent to receive process, the defendant corporation will have waived its right to contest *in personam* jurisdiction.

The textual change with which this note is primarily concerned, however, is the first sentence.<sup>37</sup> The "chapter" in that sentence is Chapter 87 of Title 28.<sup>38</sup> Application of the new corporate residence definition to the entirety of Chapter 87 of Title 28 of the U.S. Code is accomplished by the first phrase of the first sentence, by the plain meaning of the words. Included with § 1391(c) in Chapter 87 is § 1400(b), the patent venue statute.<sup>39</sup> Thus, a "plain meaning" reading of the general venue statute clearly applies the § 1391(c) definition of residence to the "resident" term in the patent venue statute.<sup>40</sup>

#### *E. General Effects of the 1988 Amendment to § 1391(c)*

In the amendment of § 1391(c) as part of the Judicial Improvements Act, Congress has essentially equated venue with personal jurisdiction

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<sup>35</sup> See David D. Siegel, "Commentary on 1988 Revision" at 28 U.S.C.A. § 1391, at 7 (West Supp. 1990).

<sup>36</sup> David D. Siegel, *Changes in Federal Jurisdiction and Practice Under the New Judicial Improvements and Access to Justice Act*, 123 F.R.D. 399, 406 (1989).

<sup>37</sup> See *supra*, note 34.

<sup>38</sup> See 28 U.S.C.A. § 1391 at 5 for the Table of Contents for Chapter 87, ("District Courts - Venue") listing the venue statutes contained therein, including §§ 1391 - 1412.

<sup>39</sup> *Id.*

<sup>40</sup> *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574, 1580 (Fed. Cir. 1990) ("The language of the statute is clear and its meaning is unambiguous."), and cases cited therein.



in suits against corporate defendants. Notably, this 1988 venue provision is effectively quite similar to the 1789 Judiciary Act, which also closely tied venue to the court's jurisdiction over the defendant, since it allowed a suit to proceed in any district in which the defendant "is an inhabitant, or in which he shall be found, . . .",<sup>41</sup> and the most obvious way a defendant is "found" in any district is by serving him with valid process in that district.

In the second sentence, the new statute relates venue to personal jurisdiction via the defendant corporation's minimum contacts with the forum. Clearly, under a long line of Supreme Court cases beginning with *International Shoe v. Washington*,<sup>42</sup> the bases for personal jurisdiction must satisfy the Due Process Clause of the Fifth and Fourteenth Amendments.

What is not as clear is whether the words "contacts . . . sufficient . . ." refer only to minimum contacts under *International Shoe* and its progeny, or whether it only refers to minimum contacts criteria in the longarm statute of the state in which the Federal district is located. Due process must always be satisfied, under any set of criteria chosen.

## II. PATENT VENUE STATUTE

### A. History

Since 1897, a special venue statute has been applied to "civil actions for patent infringement".<sup>43</sup> The propriety of the forum was decided by 28 U.S.C. § 1400(b), the patent venue statute, via a two-pronged test. The second prong of this test has been the subject of much litigation.<sup>44</sup> The patent venue statute twice has been held to be distinct from the general venue statute by the Supreme Court.<sup>45</sup>

<sup>41</sup> Judiciary Act of 1789, ch. 20, § 11, 1 Stat. 78.

<sup>42</sup> 326 U.S. 310 (1946). See also *Burnham v. Superior Court of California*, 110 S. Ct. 2105 (1990); *Asahi Metal Ind., Inc. v. Superior Court of California, Solano Cty.*, 480 U.S. 102 (1987); *Burger King Corp. v. Rudzewicz*, 471 U.S. 462 (1985); *Helicopteros Nacionales De Colombia v. Hall*, 466 U.S. 408 (1984); *Keeton v. Hustler Magazine, Inc.*, 465 U.S. 770 (1984); *World-Wide Volkswagen Corp. v. Woodson*, 444 U.S. 286 (1980); *Shaffer v. Heitner*, 433 U.S. 186 (1977); *McGee v. International Life Ins. Co.*, 355 U.S. 220 (1957); *Perkins v. Benguet Consol. Mining Co.*, 342 U.S. 437 (1952).

<sup>43</sup> The patent venue statute presently reads:

§ 1400. Patents and Copyrights

\* \* \*

(b) Any civil action for patent infringement may be brought in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business. 28 U.S.C.A. § 1400(b) (West 1976). Compare *infra* note 53.

<sup>44</sup> 15 WRIGHT, *supra* note 4, § 3823 at 223-234, particularly n. 44 at 225.

<sup>45</sup> *Stonite Prods. Co. v. Melvin Lloyd Co.*, 315 U.S. 561 (1942); *Fourco Glass Co. v. Transmirra Prods. Corp.*, 353 U.S. 222 (1957).

The background of venue generally and for patents has been reviewed above. The debate in the House of Representatives in 1897 prior to its passage provides insight into the purposes of the legislation and to its subsequent interpretation.

The bill<sup>46</sup> was introduced in the House by Congressman Lacey of Iowa, who stated:

The main purpose of the bill is to give original jurisdiction to the court where a permanent agency transacting the business is located, and that business is engaged in the infringement of the patent rights of some one who has such rights anywhere in the United States. \* \* \* It provides that the court shall have jurisdiction in the district of which the defendant is an inhabitant, and that is the existing law now, or — “In any district in which the defendant, \* \* \* shall have committed acts of infringement and have a regular and established place of business.”<sup>47</sup>

During the ensuing discussion, Congressman Mitchell further explained the need for the act:

[T]he necessity for this law grows out of the acts of 1887 and 1888 which amended the judiciary act. Conflicting decisions have even arisen in the different districts in the same States as to the construction of these acts of 1887 and 1888, and there is great uncertainty throughout the country as to whether or not the act of 1887 as amended by the act of 1888 applied to patent cases at all. This bill is intended to remove this uncertainty and to define the exact jurisdiction of the circuit courts in these matters.<sup>48</sup>

The intent of the House of Representatives plainly was to make it easier for a patentee to bring an action for patent infringement than it was under the 1887 and 1888 acts, and to remove the confusion among the courts as to which venue was proper in these cases.<sup>49</sup>

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<sup>46</sup> H.R. REP. NO. 10202, enacted as Act of March 3, 1897, ch. 395, 29 Stat. 695.

<sup>47</sup> 29 CONG. REC. 1900 (1897). Congressman Mitchell, of the Committee on Patents, read that committee's one paragraph report into the record:

This bill seeks to define the jurisdiction of the courts in patent suits and to remove the uncertainty which now arises as to such jurisdiction by reason of the conflicting decisions of the various circuit courts. It further facilitates the bringing of suits in the place of business of the parties interested. It is in the interests of all and against the interest of none. The committee therefore recommend its passage.

<sup>48</sup> *Id.* at 1901.

<sup>49</sup> See *supra* note 14, and cases cited in 29 CONG. REC. at 1901. Both *In re Hohorst*, 150 U.S. 653 (1893), and *In re Keasby & Mattison*, 160 U.S. 221 (1895), had failed to clarify matters for the circuit courts.

Note, however, that while this venue provision was broader than that afforded by the 1887 and 1888 acts, it was nevertheless narrower than that allowed by the First Judiciary Act in 1789. The 1789 Act allowed suit to be brought wherever the defendant could be found,<sup>50</sup> as stated in the Court's *In re Hohorst* decision,<sup>51</sup> which also held that neither patent infringement nor suits against aliens were controlled by the venue limitations of the 1887 and 1888 Acts.<sup>52</sup> As compared to the law of *Hohorst*, the 1897 patent venue statute represented a narrowing of venue law.

As enacted in 1897, the patent venue statute provided two tests for proper venue.<sup>53</sup> Thus, as shown by the stated intent of the drafters and the plain meaning of the statute, Congress intended to broaden the scope of available venue, relative to the 1887-1888 venue statute, and to remove the confusion from the circuit courts when it passed the patent venue statute.

### B. Modern Patent Venue Statute

The modern version of this statute has been in place since 1948,<sup>54</sup> although the two-prong test for proper venue has not been substantially changed since the original was passed in 1897.<sup>55</sup> As interpreted by the

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<sup>50</sup> Judiciary Act of 1789, Chap. 20, § 11, 1 Stat. 78. This effect of narrowing venue as compared to the 1789 Act was noted by Congressman Mitchell: "Under the line of decisions which permit [the defendant's] being sued anywhere 'if found,' this act makes it easier for the defendant, and really limits to that extent the jurisdiction of the court[.]"

29 CONG. REC. at 1901.

<sup>51</sup> *In re Hohorst*, 150 U.S. 653 (1893).

<sup>52</sup> *Id.* at 662.

<sup>53</sup> As enacted in 1897, the patent venue statute read:

Be it enacted . . . That in suits brought for the infringement of letters patent the circuit courts of the United States shall have jurisdiction, in law or in equity, in the district of which the defendant is an inhabitant, or in any district in which the defendant, whether a person, partnership, or corporation, shall have committed acts of infringement and have a regular and established place of business. If such suit is brought in a district of which the defendant is not an inhabitant, but in which such defendant has a regular and established place of business, service of process, summons, or subpoena upon the defendant may be made by service upon the agent or agents engaged in conducting such business in the district in which suit is brought.

29 Stat. 695 (1897). Compare *infra* note 54.

<sup>54</sup> The 1897 act included provision for service of process, which is now codified at 28 U.S.C. § 1694 and reads as follows:

§ 1694 Patent infringement action

In a patent infringement action commenced in a district where the defendant is not a resident but has a regular and established place of business, service of process, summons or subpoena upon such defendant may be made upon his agent or agents conducting such business.

Note the similarity of the language of § 1694 to that of § 1400(b), *supra* note 43. 28 U.S.C. §§ 1400(b) and 1694 (1991).

<sup>55</sup> 28 U.S.C. § 1400(b) (West 1976). See *supra*, note 43.

courts prior to the 1988 amendment of § 1391(c), for corporate defendants<sup>56</sup> the first prong finds venue proper in the district in which the defendant corporation is incorporated.<sup>57</sup> The second prong finds venue proper in the district in which the defendant both has committed alleged acts of infringement and has a regular and established place of business.

Acts of infringement are the use, sale or manufacture of an infringing device.<sup>58</sup> The minimum "regular and established place of business" has been the topic of much litigation,<sup>59</sup> but usually involves at least an office with a telephone listing and some sales activity by regular and exclusive employees of the defendant corporation,<sup>60</sup> and has been clearly distinguished from the "doing business" required under the pre-1988 general venue statute.<sup>61</sup>

### III. EFFECT OF THE COURT OF APPEALS FOR THE FEDERAL CIRCUIT

Prior to the creation of the Court of Appeals for the Federal Circuit (the "Federal Circuit") in 1983, the practice of forum shopping was frequent in patent litigation.<sup>62</sup> Various federal courts of appeal were thought to either favor or disfavor patents.<sup>63</sup> Depending on the strength of the patent and the favorability of the available circuits, parties could to some extent choose when and where to bring suit.<sup>64</sup>

Another strategic variable in patent litigation has been the choice of actions available to the parties. A patentee could bring an action for patent infringement,<sup>65</sup> with venue controlled by the patent venue statute. An infringer could preempt the patentee's action for infringement by bringing a declaratory judgment action for patent invalidity and non-infringement,<sup>66</sup> in which venue is controlled by the general venue statute.

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<sup>56</sup> See, e.g., *In re Cordis Corp.*, 769 F.2d 733 (Fed. Cir. 1985).

<sup>57</sup> *Fourco Glass Co. v. Transmirra Corp.*, 353 U.S. 222, 226 (1957); *Brunette Mach. Works, Ltd. v. Kockum Indus., Inc.*, 406 U.S. 706, 707 n.2 (1972); *Shaw v. Quincy Mining Co.*, 145 U.S. 444, 449 (1892).

<sup>58</sup> 35 U.S.C. § 271 (West Supp. 1990).

<sup>59</sup> *In re Cordis Corp.*, 769 F.2d at 737. See also WRIGHT, *supra* note 4, § 3823 at 223-234 and n.44 at 225.

<sup>60</sup> 769 F.2d at 737. (Venue not improper when defendant employs exclusively two full-time sales representatives in forum.)

<sup>61</sup> *Mastantuono v. Jacobsen Mfg. Co.*, 184 F. Supp. 178, 180 (S.D.N.Y. 1960) (Mere "doing business" in a district is not of itself sufficient to confer venue in patent suits.).

<sup>62</sup> See Richard C. Wydick, *Venue in Actions for Patent Infringement*, 25 STAN. L. REV. 551, 551 (1973) [hereinafter Wydick]. See also 15 WRIGHT, *supra* note 4, § 3823, n. 45, at 225; Neal A. Waldrop, *The Patent Venue Statute*, 28 U.S.C. § 1400(b) *Should Not Be Repealed*, 4 AM. PAT. L.A. Q.J. 32 (1976); 3 PATENT LAW & PRACTICE, PATENT LITIGATION: PROCEDURE & TACTICS, § 4.02[1] at 4-4 (1990).

<sup>63</sup> H.R. REP. NO. 312, 97th Cong., 1st Sess., 20-21, reprinted in 1982 U.S. CODE CONG. & ADMIN. NEWS 11, 12-17.

<sup>64</sup> *Id.* at 21-22, 1982 U.S. CODE CONG. & ADMIN. NEWS at 12.

<sup>65</sup> See 35 U.S.C. § 271 (West Supp. 1990).

<sup>66</sup> 28 U.S.C. §§ 2201-02 (1990). See generally Jerry D. Voight, *Declaratory Judgment Actions in Patent Cases Where There Has Been No Act of Infringement*, 72 J. PAT. & TRADEMARK OFF. SOC'Y. 1136 (1990).

The only limitation on the infringer's declaratory judgment action is that the "case or controversy" requirement must be met, which requires some threat of legal action by the patentee against the alleged infringer.<sup>67</sup>

The net result of the interplay of all these factors was a highly unpredictable route to adjudication of the rights and liabilities of parties involved with a patent.<sup>68</sup> The problem was exacerbated by the expense thus added to already costly patent litigation.

Congress created the Court of Appeals for the Federal Circuit in 1982, granting it jurisdiction, inter alia, over "an appeal from . . . a district court . . . if the jurisdiction of that court was based in whole or in part on [28 U.S.C.] § 1338."<sup>69</sup>

Today, the Court of Appeals for the Federal Circuit has reduced the need for forum shopping, since it has exclusive jurisdiction of patent case appeals.<sup>70</sup> The Federal Circuit has provided a significant strengthening of patents in general, by clarifying the criteria for validity and infringement and for questions arising during prosecution of patent applications in the Patent Office.<sup>71</sup> The Federal Circuit further reduced sources of procedural litigation in its 1990 decision *VE Holding v. Johnson Gas Appliance*.<sup>72</sup> This decision effectively will broaden the number of fora in which venue is proper in actions for patent infringement against corporate defendants, since there will now be one less hurdle en route to a consideration of the merits of the infringement action.

The Federal Circuit holds a very special position in relation to "action[s] arising under any Act of Congress relating to patents."<sup>73</sup> The Federal

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<sup>67</sup> The test for a "case or controversy," is whether the dispute "is definite and concrete, touching the legal relations of parties having adverse legal interests." *Aetna Life Ins. Co. v. Haworth*, 300 U.S. 227, 240 (1937). The test is "whether the facts alleged, under all the circumstances, show that there is a substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment." *Maryland Casualty Co. v. Pacific Coal & Oil Co.*, 312 U.S. 270, 273 (1941). See also 6A JAMES W. MOORE, ET AL., *MOORE'S FEDERAL PRACTICE* ¶ 57.02[5], at 57-14 (2d ed. 1989); 10A CHARLES A. WRIGHT, ET AL., *FEDERAL PRACTICE AND PROCEDURE* § 2756, at 576-78 (2d ed. 1983).

<sup>68</sup> Wydick, *supra* note 62, at 551.

<sup>69</sup> 28 U.S.C. § 1295(a)(1) (West Supp. 1990). See *Christianson v. Colt Industries Operating Corp.*, 486 U.S. 800 (1988).

<sup>70</sup> See Rita M. Irani, *Jurisdiction and Venue in Patent Cases: Effect of the Federal Circuit on Construction of the Patent Venue Statute*, 69 J. PAT. & TRADEMARK OFF. SOC'Y. 445 (1987). See also Bradford J. Duft, *Patent Infringement and the United States Court of Appeals for the Federal Circuit*, 13 AM. INTELL. PROP. L.A. Q.J. 342 (1985); Jack C. Goldstein, *The Federal Circuit's Appellate Jurisdiction Over Federal District Court Patent Cases: The First Three Years*, 13 AM. INTELL. PROP. L.A. Q.J. 271 (1985).

<sup>71</sup> See Joseph R. Re, *Federal Circuit Jurisdiction Over Appeals from District Court Patent Decisions*, 16 AM. INTELL. PROP. L.A. Q.J. 169 (1988). See also Lawrence G. Kastriner, *The Revival of Confidence in the Patent System*, 73 J. PAT. & TRADEMARK OFF. SOC'Y. 5 (1991).

<sup>72</sup> *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574 (Fed. Cir. 1990). See *infra*, section IV(A)(4) of this note.

<sup>73</sup> 28 U.S.C. § 1338(a) (West Supp. 1990). 28 U.S.C. § 1295(a) and § 1292(c) (West Supp. 1990) (Grants the Federal Circuit appellate jurisdiction over appeals from patent suits.)

Circuit has eliminated many of the former conflicts among the circuits in interpreting patents and deciding their validity, and has provided a single guiding light for questions of patent law in the district courts, the Patent and Trademark Office, and for practitioners in the specialty of patent law. In effect, the Federal Circuit is the final arbiter of the majority of patent questions.<sup>74</sup>

Historically, many of the Supreme Court's grants of certiorari have been necessitated by conflicts between the Circuit Courts of Appeal. Since there can no longer be any conflict among the circuits in suits arising under the patent laws, a major route to the Supreme Court for patent questions has been removed due to the existence and function of the Federal Circuit. This fact will remain of vast importance in patent litigation for the foreseeable future.

The following sections will provide some background to the recent decision in *VE Holding*<sup>75</sup> and for predicting future developments.

#### IV. THE CONFLICT BETWEEN §§ 1391(C) AND 1400(B)

In considering the effects of the 1988 amendment to § 1391(c) on § 1400(b), several facts are of primary importance and bear repeating. The first is the presence of the first phrase of § 1391(c), as amended in 1988, "[f]or purposes of venue under this chapter. . . ."<sup>76</sup> Second, both § 1391 and § 1400 are found in Chapter 87 of Title 28 of the United States Code.<sup>77</sup> The third is that exclusive power to grant patents is given to the Federal government by Article I, Section 8 of the United States Constitution,<sup>78</sup> which, fourth, makes patent cases federal questions heard originally in Federal District Courts.<sup>79</sup> Finally, the Federal Circuit has exclusive appellate jurisdiction in suits arising under the patent laws.<sup>80</sup>

##### A. The Cases

The present broad introductory language of § 1391(c) would appear to supplant the residence defined in § 1400(b) with the new definition of

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<sup>74</sup> See generally George M. Schwab, *Defending a Patent Case Under the Watchful Eye of the Federal Circuit*, 70 J. PAT. & TRADEMARK OFF. SOC'Y. 100 (1988).

<sup>75</sup> *VE Holding*, 917 F.2d 1574 (Fed. Cir. 1990).

<sup>76</sup> 28 U.S.C. § 1391(c) (West Supp. 1990).

<sup>77</sup> Chapter 87 also includes special venue statutes for interpleader, internal revenue taxes, stockholder's derivative actions, as well as change of venue §§ 1404, 1406, and 1412.

<sup>78</sup> U.S. Const., art. I, § 8, cl. 10: "The Congress shall have Power to promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries."

<sup>79</sup> 28 U.S.C. § 1338(a) (West Supp. 1990). See *Christianson v. Colt Ind.*, 486 U.S. at 2166.

<sup>80</sup> See *supra*, note 69.

residence derived from § 1391(c). Such was recently held by the Federal Circuit in *VE Holding*.<sup>81</sup> This interpretation ends approximately 90 years of application of the special venue statute for cases of patent infringement, and rejects nearly fifty years of Supreme Court precedent.<sup>82</sup> During the latter period the Court has twice found that the patent venue statute is neither supplanted nor supplemented by the general venue statute, in any of its forms prior to the 1988 version. A brief review of the historical decisions is necessary to properly set the stage for the Federal Circuit's holding in *VE Holding*.

### 1. *Stonite v. Melvin Lloyd*<sup>83</sup>

The *Stonite* Court held that venue in patent infringement suits is governed exclusively by Judicial Code § 48 (the predecessor of 28 U.S.C. § 1400(b)), and is not supplemented by Judicial Code § 52 (predecessor of 28 U.S.C. § 1392(a)).<sup>84</sup>

In *Stonite*, Petitioner was an inhabitant of the Eastern District of Pennsylvania, and had no regular and established place of business in the Western District.<sup>85</sup> *Stonite*'s codefendant was an inhabitant of the Western District, where the suit was brought.<sup>86</sup> Respondent claimed venue was proper under § 52 of the Judicial Code, which allows suits not of a local nature against two defendants residing in different districts in the same state to be brought in either district.<sup>87</sup>

The *Stonite* Court reviewed the history of general venue provisions and the legislative history of the patent venue statute.<sup>88</sup> The Court stated that the patent venue act "was intended to define the exact limits of venue in patent infringement suits," and that it was not intended "to dovetail with the general provisions relating to the venue of civil suits. . . ."<sup>89</sup> However, in contradiction of the legislative history, the Court stated, "Furthermore, the Act of 1897 was a restrictive measure, limiting a prior, broader venue."<sup>90</sup> This apparent misunderstanding was to have far-reaching effects. The Court stated that the general venue statute, § 51 of the Judicial Code, was "not applicable to patent infringement proceedings," and § 48, the patent infringement venue provision, was wholly independent thereof,<sup>91</sup> and that since § 52 (modern § 1392) was merely an exception to § 51, § 48 is also unaffected by § 52.<sup>92</sup>

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<sup>81</sup> *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574 (Fed. Cir. 1990).

<sup>82</sup> *Stonite Prods. Co. v. Melvin Lloyd Co.*, 315 U.S. 561 (1942); *Fourco Glass Co. v. Transmirra Prods. Corp.*, 353 U.S. 222 (1957).

<sup>83</sup> *Stonite*, 315 U.S. 561 (1942).

<sup>84</sup> *Id.* at 563.

<sup>85</sup> *Id.*

<sup>86</sup> *Id.*

<sup>87</sup> *Id.* at 566.

<sup>88</sup> 315 U.S. at 563-567 (1942).

<sup>89</sup> *Id.* at 566.

<sup>90</sup> *Id.* at 560 (citing *General Elec. Co. v. Marvel Co.*, 287 U.S. 430, 434-35 (1932)).

<sup>91</sup> 315 U.S. at 567 (citing *General Elec.*, 287 U.S. at 434-35).

<sup>92</sup> 315 U.S. at 567.

2. *Fourco v. Transmirra*<sup>93</sup>

The *Fourco* Court, citing *Stonite*, held the patent venue statute to establish venue for such actions, that the general venue statute, § 1391(c) “has no application to such actions”, and the 1948 revision and recodification of § 48 of the Judicial Code “made no substantive change” in that provision.<sup>94</sup>

In *Fourco*, Petitioner, a West Virginia corporation, sued for patent infringement in the Southern District of New York.<sup>95</sup> *Fourco* moved for dismissal for improper venue since the plaintiff had failed to show any acts of infringement in that district. *Fourco* did have a regular and established place of business in that district, which alone would not have allowed venue there since the second prong of the § 1400(b) test would not have been met.<sup>96</sup>

The Court followed *Stonite* without questioning its reasoning or findings, thus framing the issue as whether the changes in the Judicial Code in its 1948 revision and recodification substantively altered the patent venue statute, making it subject to supplementation by the general corporate venue statute.<sup>97</sup>

The Court found that no substantive changes had been made, and held “that 28 U.S.C. § 1400(b) is the sole and exclusive provision controlling venue in patent infringement actions, and that it is not to be supplemented by the provisions of 28 U.S.C. § 1391(c).”<sup>98</sup> Therefore, venue was improper in the Southern District of New York.

3. *Brunette v. Kockum*<sup>99</sup>

In *Brunette* the Court held that 28 U.S.C. § 1391(d) was the exclusive venue provision for suits against alien defendants, and that 28 U.S.C. § 1400(b) was not applicable to patent infringement suits against alien defendants.<sup>100</sup> In *Brunette*, Petitioner, a Canadian corporation, was sued for patent infringement in Oregon.<sup>101</sup> *Brunette* was served in Oregon under Oregon’s long-arm statute.<sup>102</sup> The district court dismissed the action

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<sup>93</sup> *Fourco*, 353 U.S. 222 (1957).

<sup>94</sup> *Id.* at 223.

<sup>95</sup> *Id.* Note that the two elements on the second prong of the § 1400(b) test are in the conjunctive, so both must be satisfied for venue to be proper. Further, note that the facts of *Fourco* show that venue would have been proper under the “doing business” rubric of § 1391(c) as it read in 1957.

<sup>96</sup> *Id.* at 228-229.

<sup>97</sup> *Id.* at 225.

<sup>98</sup> *Fourco Glass Co. v. Transmirra Prods. Corp.*, 353 U.S. 222, 229 (1957).

<sup>99</sup> *Brunette Machine Works, Ltd. v. Kockum Industries, Inc.*, 406 U.S. 706 (1972).

<sup>100</sup> *Id.* at 714.

<sup>101</sup> *Id.* at 707.

<sup>102</sup> ORE. REV. STAT. § 14.035 (1963) (repealed 1979).



for improper venue, since Brunette was a resident of Canada, and did not have a regular and established place of business in Oregon. It also held that § 1400(b) is the sole and exclusive venue provision for patent infringement suits.<sup>103</sup>

The *Brunette* Court reviewed the history of general venue and patent venue statutes, and the case of *In re Hohorst*.<sup>104</sup> *Hohorst* was cited for its holding that suits against aliens were not subject to the limitations of Federal venue statutes.<sup>105</sup> But, in addition to this holding, the *Hohorst* Court had stated that patent infringement suits could be brought in any district, which contributed to the historical conflict among the circuit courts regarding venue in patent infringement suits prior to 1897.<sup>106</sup>

As the *Brunette* Court explained, the confusion thusly created not only affected the enactment of the patent venue statute, but it continued through the *Fourco* and *Stonite* decisions.<sup>107</sup> Recall the Court's statement in *Stonite* that the patent infringement venue statute was narrower than the preexisting law.<sup>108</sup>

This statement by the Court in *Stonite* is correct if the dicta in *Hohorst* is regarded as controlling over the venue statutes of 1887 and 1888. Thus, the patent venue statute when passed, was narrower than that allowed under *Hohorst*, but broader than that allowed by the previous statutory provision.<sup>109</sup>

The *Brunette* Court distinguished the issue before it from those facing the Court in *Stonite* and *Fourco*, on the basis that 1391(d) is not derived from the general venue statutes, even though it is codified there, and on the basis of the long-standing rule that the venue statutes for domestic and foreign defendants do not apply to suits against alien defendants.<sup>110</sup>

The *Brunette* holding, which allowed a subsection of the general venue statute to supersede the patent venue statute,<sup>111</sup> was cited frequently in

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<sup>103</sup> 406 U.S. at 707.

<sup>104</sup> *In re Hohorst*, 150 U.S. 653 (1893).

<sup>105</sup> *Brunette Machine Works, Ltd. v. Kockum Industries, Inc.*, 406 U.S. 706, 709 (1972) (citing *Hohorst*, 150 U.S. at 660-661).

<sup>106</sup> See *supra*, note 14 and accompanying text.

<sup>107</sup> 406 U.S. at 713.

<sup>108</sup> 315 U.S. at 566. "Furthermore, the Act of 1897 was a restrictive measure, limiting a prior, broader venue." *General Elec. Co. v. Marvel Co.*, 287 U.S. 430, 434-35 (1932). Thus there is little reason to assume that Congress intended to authorize suits in districts other than those mentioned in that Act. 315 U.S. at 566-567.

<sup>109</sup> See *Brunette Machine Works, Ltd. v. Kockum Industries, Inc.*, 406 U.S. 706, 713 n.13 (1972), in which Justice Marshall provides some explanation of the historical interplay of these venue statutes.

<sup>110</sup> 406 U.S. at 713.

<sup>111</sup> Note that the Court in *Hohorst*, 150 U.S. 653, held that aliens were not included in the venue provisions of the 1887 statute. The Court in *Brunette* followed this holding, while at the same time distinguishing § 1391(d) from the remainder of § 1391.

district cases<sup>112</sup> considering the question of the supplementation of § 1400(b) by the residence definition of the 1988 version of § 1391(c) prior to the Federal Circuit's decision in *VE Holding*, and was also cited by the Federal Circuit in that decision.<sup>113</sup> The proposition is that if *Brunette* allowed a subsection of the general venue statute to prevail over the patent venue statute, then the patent venue statute is not as "sole and exclusive" as the Court held in the *Stonite* and *Fourco* decisions. As shown by this analysis, *Brunette* does not adequately support such a proposition.<sup>114</sup>

#### 4. *VE Holding v. Johnson Gas Appliance*<sup>115</sup>

In *VE Holding*, the Court of Appeals for the Federal Circuit held the definition of residence in the 1988-amended version of 28 U.S.C. § 1391(c) to apply to the entirety of Chapter 87 of Title 28 United States Code, including the patent venue statute.<sup>116</sup>

Prior to the 1988 amendment of § 1391(c)<sup>117</sup>, *VE Holding* brought suit against Johnson and two other defendants, for patent infringement ("*VEH-P*") in the Northern District of California. The court dismissed the action as to Johnson for improper venue, since Johnson, an Iowa corporation, did not have a regular and established place of business in that district.<sup>118</sup>

After the effective date of the amendments to § 1391(c), *VE Holding* refiled suit against Johnson ("*VEH-II*"), in the same district, based on the newly effective form of § 1391(c).<sup>119</sup> Again Johnson moved to dismiss for improper venue, and again the court dismissed for improper venue, based on the exclusivity of the patent venue statute, § 1400(b).<sup>120</sup>

<sup>112</sup> See, e.g., *Jacobson v. Cox Paving Co.*, 17 U.S.P.Q.2d 1653 (D. Ariz. 1990); *Biosyntec, Inc. v. Baxter Healthcare Corp.*, 746 F. Supp. 5 (D. Ore. 1990); *Joslyn Mfg. Co. v. Amerace Corp.*, 729 F. Supp. 1219 (N.D. Ill. 1990); *Regents of Univ. of Cal. v. Eli Lilly & Co.*, 734 F. Supp. 911 (N.D. Cal. 1990); *Century Wrecker Corp. v. Vulcan Equip. Co. Ltd.*, 733 F. Supp. 1170 (E.D. Tenn. 1989); *Doelcher Prods., Inc. v. Hydrofoil Int'l, Inc.*, 735 F. Supp. 666 (D. Md. 1989).

<sup>113</sup> *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574, 1582 (Fed. Cir. 1990).

<sup>114</sup> See *Brunette Machine Works, Ltd. v. Kockum Industries, Inc.*, 406 U.S. 706 (1972). A careful reading of the Court's *Brunette* opinion reveals neither intent nor suggestion to undermine *Stonite* and *Fourco*.

<sup>115</sup> *VE Holding*, 917 F.2d 1574 (Fed. Cir. 1990). Two later unpublished opinions in cases with the same issue followed *VE Holding's* holding regarding the effects of § 1391(c) on § 1400(b): *Ross v. Tuerk*, Case No. 90-1075 (Fed. Cir. November 8, 1990), and *Century Wrecker v. Vulcan Equipment*, Case No. 90-1287 (Fed. Cir. November 24, 1990).

<sup>116</sup> 917 F.2d at 1575.

<sup>117</sup> Judicial Improvements Act, Public Law 100-702, Enacted November 19, 1988, Effective February 7, 1989. See *supra*, note 2.

<sup>118</sup> 917 F.2d at 1575.

<sup>119</sup> *Id.*

<sup>120</sup> *Id.*

VE Holding appealed both dismissals to the Federal Circuit, where the cases were consolidated for argument.<sup>121</sup> The issues before the court were clearly drawn in these cases, involving the same plaintiff, defendant, and operant facts. In both cases, under the prior residence definition of § 1400(b), venue in Northern California was improper, while equally clearly, if the new residence definition of § 1391(c) was applied to § 1400(b), venue would properly lie in that district.<sup>122</sup>

After stating the facts of *VEH-II*,<sup>123</sup> the court briefly reviewed the history of venue, the patent venue statute vis-a-vis the general venue statute,<sup>124</sup> and the legislative history of the 1988 amendment to the general venue statute.<sup>125</sup> Previous cases applying provisions of the general venue statute to the various special venue statutes which abound in Federal law, several of which are in Chapter 87 along with § 1400(b), were discussed; the court found "little consistency from area to area."<sup>126</sup>

The court reviewed *Stonite*,<sup>127</sup> *Fourco*,<sup>128</sup> and *In re Cordis*,<sup>129</sup> in which the patent venue statute had been clearly distinguished from the general venue statute, but distinguished *Brunette*,<sup>130</sup> which it later discussed in more detail. The court contrasted § 1400(b) with the pre-1988 version of § 1391(c),<sup>131</sup> then, based on the substantial change in the statutory language of the 1988 amendment, stated that *Fourco* did not apply to the instant issue.<sup>132</sup> Thereafter, the court embarked upon a consideration of

<sup>121</sup> *Id.*

<sup>122</sup> It is interesting to note that while the same question was involved in both *Ross v. Tuerk*, Civil Action No. JH-89-2487 (D. Md. 1990), *vacated and remanded*, slip op. (Fed. Cir. 1990) and *Century Wrecker Corp. v. Vulcan Equip. Co., Ltd.*, 733 F. Supp. 1170 (E.D. Tenn. 1989), *aff'd*, slip op. (Fed. Cir. 1990), and all three cases were before the Federal Circuit at the same time, the Federal Circuit chose to decide *VE Holding*. In *Ross v. Tuerk*, plaintiff Ross filed an action for patent infringement against Aero Industries and its president, Tuerk. The district court granted the defendants' motion to dismiss for improper venue under § 1400(b); Ross appealed, arguing that the § 1391(c) residence definition applied. In *Century Wrecker*, Century sought to add as a party defendant Vulcan Equipment Company, Inc., which was a Mississippi corporation and subsidiary of Vulcan Equipment Company, Ltd., a Canadian corporation. Vulcan did not have a regular and established place of business in the Eastern District of Tennessee. The District Court granted plaintiff's motion under § 1391(c), which Vulcan appealed. Neither case involved the clear-cut choice offered by the facts of *VE Holding*. In both unpublished decisions, the Federal Circuit simply followed *VE Holding*.

<sup>123</sup> The court stated that since *VEH-I* was filed before the effective date of the amendment, it would not be further considered. 917 F.2d at 1576 n.2.

<sup>124</sup> *Id.* at 1578.

<sup>125</sup> *Id.* at 1576-1577.

<sup>126</sup> *Id.* at 1577.

<sup>127</sup> 315 U.S. 561 (1942).

<sup>128</sup> 353 U.S. 222 (1957).

<sup>129</sup> 769 F.2d 733 (1985).

<sup>130</sup> 406 U.S. 706 (1972).

<sup>131</sup> *VE Holding*, 917 F.2d at 1578.

<sup>132</sup> *Id.* at 1579. In distinguishing *Stonite* and *Fourco*, the court stated simply, "Section 1391(c) as it was in *Fourco* is no longer." *Id.*

principles of statutory construction, only going far enough past the plain meaning rule to distinguish the rule that specific statutes are not controlled by general ones, absent a clear legislative intention.<sup>133</sup> Finally, the court added that "the language of the statute would reveal 'a clear intention' that § 1391(c) is to supplement § 1400(b)".<sup>134</sup>

The Federal Circuit noted the lack of legislative history of the 1988 amendment to § 1391(c).<sup>135</sup> The court pointed out that from a time early in the process of assembling the Act, the change in definition of corporate residence was included, and cited this lack of alteration as evidence of congressional intent to apply the new definition to the whole of Chapter 87.<sup>136</sup>

What the Federal Circuit seems to have said in *VE Holding* concerning the interaction of the patent and general venue statutes may be summarized as follows: when passed, the patent venue statute was in actuality somewhat broader than the general venue statute, although this was not clearly supported by *Stonite*,<sup>137</sup> which was merely followed by *Fourco*.<sup>138</sup> By the time *Brunette*<sup>139</sup> was decided, general venue was much broader than patent venue. Thus, the finding that the 1988 amendment applies to patent venue is supported by the resulting broadening of patent venue, bringing it back into line with general venue for corporate defendants.

The court briefly mentioned an A.B.A. report<sup>140</sup> and law review articles<sup>141</sup> which had called for the repeal of § 1400(b), and joined the court's voice to those prior voices, adding that not all civil actions arising under the patent laws are covered by § 1400(b).<sup>142</sup>

In conclusion, the Federal Circuit held that since § 1391(c)'s definition of residence is applicable to § 1400(b) and Johnson had stipulated that *VE Holding* had obtained personal jurisdiction over it in the Northern District of California, Johnson therefore "resides" in that district and venue there is proper.<sup>143</sup> The Supreme Court denied Johnson's petition

<sup>133</sup> *Id.* at 1579-80, (citing *United States v. Ron Pair Enters., Inc.*, 489 U.S. 235, 242-43 (1989)).

<sup>134</sup> 917 F.2d at 1580.

<sup>135</sup> *Id.* See also: PAT. TRADEMARK & COPYRIGHT J. (BNA) No. 39, 425-26 and 435-40 (1990); PAT. TRADEMARK & COPYRIGHT J. (BNA) No. 41, 3 (1990).

<sup>136</sup> *VE Holding*, 917 F.2d at 1581-82, (citing *Century Wrecker v. Vulcan Equip. Co., Ltd.*, 733 F. Supp 1170 (E.D. Tenn. 1989)). On the contrary that the wording of the amended venue provision remained unchanged through at least two years of Congressional consideration could as easily be cited for the proposition that Congress failed to express any intention in regard to these words, perhaps even that the import of the words was neither recognized nor considered by Congress.

<sup>137</sup> 315 U.S. at 566.

<sup>138</sup> 353 U.S. at 225.

<sup>139</sup> 406 U.S. at 712 n.13.

<sup>140</sup> In 1974 the American Bar Association Patent, Trademark and Copyright Section, Committee 110, proposed legislation to incorporate the contemporary residence definition of § 1391(c) into § 1400(b).

<sup>141</sup> See Richard C. Wydick, *Venue in Actions for Patent Infringement*, 25 STAN. L. REV. 551, 551 (1973). But see Neal A. Waldrop, *The Patent Venue Statute*, 28 U.S.C. § 1400(b) *Should Not Be Repealed*, 4 AM. PAT. L. A. Q.J. 32 (1976).

<sup>142</sup> *VE Holding*, 917 F.2d at 1584.

<sup>143</sup> *Id.*

for certiorari in *VE Holding*.<sup>144</sup> Johnson had argued that Congress did not intend to affect § 1400(b), that *Brunette* did not allow a subsection of the general venue statute to supplement or supplant § 1400(b), but rather merely followed the long precedent regarding suits against aliens, and finally, that *Fourco* clearly stated that the patent venue statute was not to be supplemented in any way by the general venue statute, no matter how inclusive the language of § 1391(c).<sup>145</sup>

### B. Importance of the Federal Circuit Decision in *VE Holding*

Besides the obvious importance of the holding of any circuit court of appeals in the United States, the decision by the Court of Appeals for the Federal Circuit in *VE Holding* is of considerable importance in patent law. This is true for several reasons. First, and most important, it allows significantly broader choices of venue to plaintiffs in patent infringement actions. Second, by finally settling the criteria for venue, the court has helped to reduce the time and expense involved in reaching the merits in these actions. Third, it has placed venue in patent infringement actions into line with venue in other actions arising under the patent laws, and with other civil suits generally, where corporations are defendants. Thus, the effect given to Congress's amendment of the general venue statute by the Federal Circuit in *VE Holding* should have far-reaching effects in patent law.

Prior to *VE Holding*, in civil actions for patent infringement, the question of venue was the most difficult of the procedural questions to answer. If venue was proper, there was little or no question of obtaining personal jurisdiction, since under either prong of § 1400(b)'s two-prong venue test the requirements of the Due Process Clause for personal jurisdiction would be surpassed<sup>146</sup> by any criteria of Supreme Court cases<sup>147</sup> or state minimum contacts doctrine.

After *VE Holding*, venue in patent infringement cases is contingent upon the obtainment of personal jurisdiction.<sup>148</sup> Thus, the level of inquiry

<sup>144</sup> *VE Holding*, 917 F.2d 1574 (Fed. Cir. 1990), cert. denied, 111 S. Ct. 1315 (1991).

<sup>145</sup> PAT. TRADEMARK & COPYRIGHT J. (BNA) No. 41, 429-30 (1991).

<sup>146</sup> See Rita M. Irani, *Jurisdiction and Venue in Patent Cases: Effect of the Federal Circuit on Construction of the Patent Venue Statute*, 69 J. PAT. & TRADEMARK OFF. SOC'Y. 445 (1987).

<sup>147</sup> *International Shoe Co. v. Washington*, 326 U.S. 310 (1945), and progeny, *supra* n.42. Supreme Court personal jurisdiction cases will be further discussed in Section V (B) of this note.

<sup>148</sup> *VE Holding*, 917 F.2d at 1584 and 28 U.S.C. § 1391(c) (West Supp. 1990). The Federal Circuit holding in *VE Holding* has been followed, allowing a district court to avoid the "difficult question" of what constitutes "a regular and established place of business." The court found venue proper under *VE Holding*, when it was questionable under the second prong of the patent venue statute. *Matter of Mahurkar Double Lumen Hemodialysis Catheter Patent*, 750 F. Supp. 330, 333-34 (N.D. Ill. 1990). See also *Jacobson v. Cox Paving Co.* 17 U.S.P.Q.2d 1653 (D. Ariz. 1990). The holding of the Federal Circuit in *VE Holding* has been extended to bring venue for partnerships under the control of § 1391(c) in *Injection Research Specialists, Inc. v. Polaris Industries L.P.*, 759 F.Supp. 1511 (D. Colo. 1991).

has been reduced from that of "what constitutes a 'regular and established place of business'?" to that of "what minimum contacts satisfy due process?"<sup>149</sup> This constitutes a much broader range of possible venues for most patent cases.<sup>150</sup>

The change in venue statutes should reduce the expense of patent litigation, and generally make it easier to reach the merits of an action without being forced into a premature or unfavorable settlement due to financial pressures on the litigation budget.

It should be noted that while venue is now proper if personal jurisdiction can be obtained, since venue is concerned with convenience to the litigants and witnesses,<sup>151</sup> the provision of 28 U.S.C. § 1404 is still available by which the defendant may seek a change of venue to a more convenient forum, if the action could have properly been brought in the forum sought.<sup>152</sup>

## V. VENUE IN PATENT INFRINGEMENT — A QUESTION OF DUE PROCESS

### A. Federal Rules of Civil Procedure

Under the Federal Rules of Civil Procedure (F.R.C.P.), Rules 4(c)(2)(C)(i),<sup>153</sup> 4(e) and 4(f) prescribe service of process within and without the state. Rule 4(e) provides service in two circumstances. First, when a Federal statute or court order so provides, service may be made pursuant to the F.R.C.P. Second, in part (1) of the second sentence, F.R.C.P. 4(e) provides "for service . . . upon a party not an inhabitant or found within the state . . . under the circumstances and in the manner prescribed in the statute or rule" allowing such service.<sup>154</sup>

Service of process is provided for in patent suits under 28 U.S.C. § 1694,<sup>155</sup> thus coming within the scope of the first sentence of F.R.C.P.

<sup>149</sup> Compare 28 U.S.C. § 1391(c) (West Supp. 1990) with 28 U.S.C. § 1400(b) (West, 1976).

<sup>150</sup> But see David D. Siegel, *Changes in Federal Jurisdiction and Practice Under the New Judicial Improvements and Access to Justice Act*, 123 F.R.D. 399, 406 (1989), wherein the author suggests that venue has been narrowed due to the removal of the "licensed to do business" factor, and the fact that districts are tested for venue as if separate states.

<sup>151</sup> *VE Holding*, 917 F.2d at 1576 (citing 1A(2) JAMES W. MOORE, ET AL., MOORE'S FEDERAL PRACTICE, ¶0.340 (2d ed. 1990)).

<sup>152</sup> 28 U.S.C. § 1404 (West 1976) allows a district court to transfer any civil action to any other district where it might have been brought, for the convenience of parties and witnesses.

<sup>153</sup> Note that Fed. R. Civ. P. 4(c)(2)(C)(i) provides for instate service only upon defendants who are "individuals other than an infant or an incompetent person," 4(d)(1), and a "domestic or foreign corporation or upon a partnership or other unincorporated association," 4(d)(3). Fed. R. Civ. P. 4(c)(2)(C)(i).

<sup>154</sup> Fed. R. Civ. P. 4(e).

<sup>155</sup> See *supra* note 53, 28 U.S.C. at 1694.

4(e). However, this is not the sole method of serving process in patent suits.<sup>156</sup> Part (1) of the second sentence of F.R.C.P. 4(e) makes state long-arm statutes and rules available in Federal cases, such as patent infringement.

F.R.C.P. 4(f) allows service beyond the territorial limits of the state in which the district court is held "when authorized by a statute of the United States or by these rules,"<sup>157</sup> referring to F.R.C.P. 4(c)(2)(C)(i) and 4(e) in using "by these rules."<sup>158</sup>

The importance of the availability of state long-arm statutes lies less in the listed criteria than in the fact that the statute is available to extend the scope of Federal litigation beyond state boundaries. In fact, in some states, the long-arm statute allows out of state service under any criteria consistent with due process, without enumerating specific criteria.<sup>159</sup>

Under the interpretation described herein, the Due Process Clause of the Fifth and Fourteenth Amendments to the U.S. Constitution actually controls the issue of personal jurisdiction and, therefore, of venue as well. The factors included in *International Shoe* and progeny and the state's appropriate long-arm law would be factors to be considered by the court in assessing the question of personal jurisdiction.<sup>160</sup> The many factors considered by courts over the years in evaluating "doing business" would be applicable, as would other legal doctrines, such as waiver and consent.<sup>161</sup>

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<sup>156</sup> *Welch Scientific Co. v. Human Eng'g Inst., Inc.*, 416 F.2d 32, 34 (7th. Cir. 1969), cert. denied 396 U.S. 1003 (1970).

<sup>157</sup> FED. R. CIV. P. 4(f).

<sup>158</sup> 4A WRIGHT & MILLER, FEDERAL PRACTICE AND PROCEDURE § 1113 at 239 (2d ed. 1987).

<sup>159</sup> *Wilden Pump & Eng'g. Co. v. Versa-Matic Tool, Inc.*, No. 91-1562 SVW (Sx), 1991 U.S. Dist. LEXIS 12316 at \*2 (C.D. Cal. July 22, 1991) (Finding Versa-Matic's purposeful availment of the forum to comport with due process.) See, e.g., CAL. CIV. PROC. CODE § 410.10 (West 1973) ("A court of this state may exercise jurisdiction on any basis not inconsistent with the Constitution of this state or of the United States.") *Accord* *North American Pyrotec Inc. v. Mol*, 18 U.S.P.Q.2d 1718 (E.D. Pa. 1991) (Venue proper in California in copyright infringement action based on defendant's contracts for use of allegedly infringing computer program in California.)

<sup>160</sup> *FMC Corp. v. Hunter Eng'g. Co.*, 20 U.S.P.Q.2d 1077, 1078 (E.D. Ark. 1991) (using Arkansas long-arm statute to find venue proper when Hunter did 1% of its nationwide business in the forum.) See WRIGHT, *supra* note 4, § 3811 at 20-21 (Supp. 1991).

<sup>161</sup> *Nierbo v. Bethlehem Shipbuilding Co.*, 308 U.S. 165, 167 (1939) (Defendant lost privilege to contest venue by appointment of statutory agent as required by state law.) MOORE, *supra* note 4, ¶4.15 at 4-156. Thus, if under State law any corporation doing business in the state must designate an agent for receiving service of process, not only has the corporation waived its right to allege improper service in the state, it has also waived its right to contest venue in any district in which it could be properly served with process, under the present language of § 1391(c). See, e.g., OHIO REV. CODE ANN. § 1701.07 (Baldwin 1990). This would extend to a state official statutorily designated as agent for service of process of a corporation. Consent to personal jurisdiction may also be made, as in a contract. See *National Equip. Rental, Ltd. v. Szukhent*, 375 U.S. 311 (1964).

*B. International Shoe and Progeny*

Since venue is now predicated upon personal jurisdiction and personal jurisdiction must meet the strictures of due process, the focus of the jurisdictional inquiry must be on the nexus of patent infringement, minimum contacts, personal jurisdiction, due process, and venue. In order to address these questions, hypothetical facts of a patent infringement suit will be considered in the context of holdings from some of the recent progeny of *International Shoe*,<sup>162</sup> with a view toward finding the minimum level of activity necessary to obtain personal jurisdiction in a given federal judicial district.

Under the Court's holding in *International Shoe*, due process requires certain minimum contacts with the forum "such that maintenance of the suit does not offend 'traditional notions of fair play and substantial justice.'" <sup>163</sup> Furthermore, due process "includes fair warning that a particular activity may subject a person to the jurisdiction of a foreign sovereign."<sup>164</sup> "Fair warning" leads to the foreseeability that some level of contact with a forum will bring a person under the jurisdiction of that forum's courts. The *World Wide Volkswagen v. Woodson*<sup>165</sup> Court stated that being haled into court should be reasonably foreseeable to a defendant in a forum where it had engaged in some purposeful conduct, if those contacts are sufficient to subject the defendant to personal jurisdiction consistent with the Due Process Clause.<sup>166</sup> Thus, in *Woodson*, although it was foreseeable that defendant's automobile would be driven into Oklahoma, it was not foreseeable that defendant would be subject to suit there, since the defendant maintained no other contacts with the forum.<sup>167</sup>

These contacts must have a basis in "some act by which the defendant purposely avails itself of the privilege of conducting activity within the forum state, thus invoking the benefits and protection of its laws."<sup>168</sup> The "purposeful availment" requirement "ensures that a defendant will not be haled into a jurisdiction solely as a result of 'random,' 'fortuitous,' or 'attenuated' contacts, or of the 'unilateral activity of another party.'"<sup>169</sup> The reciprocal relationship between the defendant and the forum seeking to exercise jurisdiction makes it fair that the forum do so. By its exercise of the privilege of conducting business activities in the forum state, the defendant is put on "clear notice" and so should reasonably foresee that it is subject to suit there.<sup>170</sup>

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<sup>162</sup> *International Shoe Co. v. Washington*, 326 U.S. 310 (1945); see *supra*, note 42.

<sup>163</sup> 326 U.S. at 316 (quoting *Milliken v. Meyer*, 311 U.S. 457, 463 (1940)).

<sup>164</sup> *Shaffer v. Heitner*, 433 U.S. 186, 218 (1977) (Stevens, J., concurring).

<sup>165</sup> *World-Wide Volkswagen Corp. v. Woodson*, 444 U.S. 286 (1980).

<sup>166</sup> *Id.* at 297.

<sup>167</sup> *Id.* at 295, 298.

<sup>168</sup> *Id.* at 297 (citing *Hanson v. Denckla*, 357 U.S. 235, 253 (1958)). See also *Asahi Metal Indus., Co. v. Superior Court of California*, 480 U.S. 102, 112 (1987).

<sup>169</sup> *Burger King v. Rudzewicz*, 471 U.S. 462, 475 (1985).

<sup>170</sup> *Hanson v. Denckla*, 357 U.S. 235, 253 (1958).



When addressing the sufficiency of minimum contacts for personal jurisdiction, the court must consider the "relationship among the defendant, the forum and the litigation."<sup>171</sup> The contacts between the defendant and the forum must be judged "in light of the claim" with the analysis seeking whether it is "fair" to compel the defendant to defend in the forum state.<sup>172</sup>

Finally, before beginning this analysis, a review of general and specific jurisdiction is necessary.<sup>173</sup> "Specific" jurisdiction over a defendant arises when the defendant is haled into court in a suit arising out of the operant facts which bestow personal jurisdiction on the court in which suit is brought.<sup>174</sup> "General" jurisdiction arises when a defendant's activities within the forum are so pervasive that the defendant may be haled into court for causes having no connection with the forum without offending due process.<sup>175</sup> Specific jurisdiction is muddled somewhat by questions of whether the cause of action must arise from or only be related to defendant's forum contacts.<sup>176</sup> Further confusion between general and specific jurisdiction was generated by *Keeton v. Hustler Magazine Inc.*,<sup>177</sup> where the Court seems to have combined related and unrelated contacts by holding in *Keeton* that jurisdiction was proper in New Hampshire.<sup>178</sup> The essential difference in finding jurisdiction proper under the general and specific tests is that the defendant's contacts with the forum must be more extensive to support general jurisdiction than for specific. In other words, the necessary minimum contacts are at a higher level for general jurisdiction.<sup>179</sup>

In *Keeton*, defendant Hustler had sold 10,000 to 15,000 copies of each monthly issue of its magazine in New Hampshire. Five of the issues were alleged by plaintiff to have contained libelous material.<sup>180</sup> The Court held

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<sup>171</sup> *Keeton v. Hustler Magazine, Inc.*, 465 U.S. 770, 775 (1984) (quoting *Shaffer v. Heitner*, 433 U.S. 186, 204 (1977)).

<sup>172</sup> *Keeton*, 465 U.S. at 775.

<sup>173</sup> See also Arthur von Mehren & Donald Trautman, *Jurisdiction to Adjudicate: A Suggested Analysis*, 79 HARV. L. REV. 1121 (1966) (on the Court's development of specific and general jurisdiction).

<sup>174</sup> *Helicopteros Nacionales de Colombia, S.A. v. Hall*, 466 U.S. 408, 414, n.8 (1984).

<sup>175</sup> *Perkins v. Benguet Consol. Mining Co.*, 342 U.S. 437 (1952). An excellent discussion of specific and general jurisdiction is found in GENE R. SHREVE & PETER RAVEN-HANSEN, UNDERSTANDING CIVIL PROCEDURE §§ 17-18 at 68-76 (1989).

<sup>176</sup> See generally William J. Knudsen, Jr., *Keeton, Caulder, Helicopteros and Burger King - International Shoe's Most Recent Progeny*, 39 U. MIAMI L. REV. 809 (1985); Louise Weinberg, *The Helicopter Case and the Jurisprudence of Jurisdiction*, 58 S. CAL. L. REV. 913 (1985).

<sup>177</sup> *Keeton*, 465 U.S. 770 (1984).

<sup>178</sup> *Id.* at 781. Note that since the injury was nationwide, no matter in which district suit is brought only a fraction of the damage will have been inflicted in that state, unless the plaintiff is restricted to bringing suit in her home state.

<sup>179</sup> *Perkins*, 342 U.S. at 445. See also *Helicopteros Nacionales de Colombia, S.A. v. Hall*, 466 U.S. 408 (1984). *Accord* *Plastic Films, Inc. v. Poly Pak America, Inc.*, 764 F.Supp. 1238 (W.D. Mich. 1991) (Venue improper since defendant's contacts relating to non-infringing products do not provide the necessary nexus with the plaintiff's alleged injury.)

<sup>180</sup> *Keeton*, 465 U.S. at 772.

that since *Hustler* had "continuously and deliberately exploited the New Hampshire market, it must reasonably anticipate being haled into court there in a libel action based on the contents of the magazine."<sup>181</sup> In addition, the Court held that the nationwide damage arising from the libel made it fair to compel the defendant to defend in one action in one state for the entire damage.<sup>182</sup>

Under an analysis similar to that of the Court in *Keeton*, if a patent infringer was found to have regularly sold copies of the infringing article there, the infringer could be held to have directed his activities at the forum, and jurisdiction would be proper.<sup>183</sup> If the infringer was involved in other business in the forum, the chances would increase that a court would find personal jurisdiction proper. Specific jurisdiction would arise from multiple sales or regular manufacture of an infringing device, with a factual basis such as in *Cordis*.<sup>184</sup> General jurisdiction might be found in a district where no infringing sales or manufacturing had taken place, but where the defendant has conducted extensive but unrelated business activity.<sup>185</sup>

Jurisdiction based on infringing use of a patented device would be very fact-dependent since the use might be either central or peripheral to defendant's operations in a particular forum. Presumably, a higher selling price or value for the infringing article would reduce the number of devices sold or manufactured which are necessary to allow a finding of activity directed at the forum.

The aspects of *Keeton* which make it especially apt for comparison to a patent infringement suit are that the damage alleged in the libel suit in *Keeton* was nationwide in scope<sup>186</sup> and the plaintiff was seeking to recover for the nationwide damage in a single action.<sup>187</sup> Without specifically saying so, the Court in *Keeton* appeared to state that due to the nationwide damage, it was fair to require the suit to be tried in a district involving some inconvenience to defendant, since the matter could be adjudicated in a single action causing less inconvenience than would multiple lawsuits brought in multiple states.

As in *Keeton*, the damage litigated in most patent infringement suits is national in scope since patent rights are conferred under federal law.

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<sup>181</sup> *Id.* at 781. Another libel case, *Caulder v. Jones*, 465 U.S. 783 (1984), was decided the same day as *Keeton* on a similar basis.

<sup>182</sup> *Id.* at 775.

<sup>183</sup> As this Note goes to press, courts are employing similar analyses to the issue of personal jurisdiction. See, e.g., *Wilden Pump & Eng'g. Co. v. Versa-Matic Tool, Inc.*, No. 91-1562 SVW (Sx), 1991 U.S. Dist. LEXIS 12316 at \*2 (C.D. Cal. July 22, 1991) (finding Versa-Matic's purposeful availment of the forum to comport with due process).

<sup>184</sup> *Cordis*, 769 F.2d at 735. (Venue not improper when defendant employs exclusively two full-time sales representatives, who maintain home offices with inventories of \$30-60,000, literature and other documents and have telephone listed and answered with defendant's corporate name.)

<sup>185</sup> *Perkins v. Benguet Conso. Mining Co.*, 342 U.S. 437, 448 (1952).

<sup>186</sup> *Keeton*, 465 U.S. at 777.

<sup>187</sup> *Id.* at 775.

As the "single publication rule" applies to libel suits,<sup>188</sup> requiring litigation of all issues and damages arising out of a libel in a unitary proceeding,<sup>189</sup> so should an action for nationwide patent infringement against any one infringer be litigated in one proceeding. However, this may present some problems in patent infringement cases not present in libel cases since there may be multiple related or unrelated infringers. Recalling that patent infringement is "the making, use, or sale of" an infringing article,<sup>190</sup> the sale of any one infringing article may implicate three discrete infringers. Furthermore, there may be more than one manufacturer of infringing articles, and the several manufacturers may infringe various of the patent's claims.

Additional light may be shed on the due process requirements for personal jurisdiction in an action for patent infringement by considering the Court's analysis in *Burger King Corp. v. Rudzewicz*.<sup>191</sup> In that case, Rudzewicz had negotiated a long-term contract with Burger King in Florida, without ever having been to Florida.<sup>192</sup> The Court found jurisdiction proper in Florida, based not solely on the contract, but on such factors as "prior negotiations and contemplated future consequences, along with the terms of the contract and the parties' actual course of dealing,"<sup>193</sup> which must be considered in the analysis of defendants' activities alleged to establish minimum contacts. The Court found that the contract, which included a carefully structured 20-year relationship with Burger King's Miami headquarters and payments to be made to Burger King there, "grew directly out of 'a contract which had a substantial connection with that State.'"<sup>194</sup>

Analogizing to a patent infringement case, the infringer may only have entered into a number of sales of an infringing device or contracted with a distributor in the forum and never have actually entered the forum, yet properly be subjected to the personal jurisdiction of the courts there. This scenario would require a clear intention by the accused infringer to establish a relationship with the forum or some entity therein.<sup>195</sup> Such a finding would be aided by, e.g., a long-term contract with a local distributor or other contractual ties with the forum. Local advertising, even where sales were by mail only, provides an example of further contacts.

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<sup>188</sup> *Id.* at 773, citing RESTATEMENT (SECOND) OF TORTS § 577A, Appendix, Reporter's Note (1977).

<sup>189</sup> *Keeton*, 465 U.S. at 777.

<sup>190</sup> 35 U.S.C. § 271 (1990).

<sup>191</sup> *Burger King Corp. v. Rudzewicz*, 471 U.S. 462, 475-76 (1985).

<sup>192</sup> *Id.* at 467.

<sup>193</sup> *Id.* at 479. *Accord* *Asahi Metal Ind., Inc. v. Superior Court of California*, 480 U.S. 111, 112 (1987).

<sup>194</sup> *Burger King Corp.*, 471 U.S. at 479 (quoting *McGee v. International Life Ins. Co.*, 355 U.S. 220, 223 (1957)).

<sup>195</sup> *See, e.g., Asahi Metal*, 480 U.S. at 112 ("The 'substantial connection' . . . between the defendant and the forum State necessary for a finding of minimum contacts must come about by an action of the defendant purposefully directed toward the forum State.").

Certainly, the possibilities enumerated and briefly analyzed here are by no means exhaustive, nor are they intended to be extreme. These are a few examples only, used to suggest the breadth of venue possibilities now open to a patent infringement plaintiff. The question of whether such broadened venue possibilities exist for the infringer seeking to obtain a declaratory judgment of patent invalidity has not been considered. However, due to the 1988 amendment to § 1391(c), when the defendant is a corporation venue must always be tested by these criteria.<sup>196</sup> This analysis has demonstrated that the change in the definition of "residence", accomplished by the combined effects of the 1988 amendment to § 1391(c) and the Federal Circuit in *VE Holding*, has significantly broadened venue choices in civil actions for patent infringement.

## VI. CONCLUSION

This note has reviewed the history of venue, both generally and in cases of patent infringement, the historical interactions of these venue statutes, the 1988 amendment to the general venue statute, the interpretation of this amendment by the Federal Circuit, and finally the effects these changes may have in future actions for patent infringement.

As it regards venue in actions for patent infringement, the 1988 amendment to the general venue statute has accomplished two results. First, it has redefined the residence of a corporate defendant, predicated residence for venue purposes on the availability of personal jurisdiction over that defendant. Second, the amendment has applied the new definition of residence for corporate defendants to the patent venue statute, displacing the previous definition of residence as used in the first prong of that statute for corporate defendants.

Thus, venue in a civil action for patent infringement brought against a corporate defendant will be proper in any federal judicial district in which the defendant is subject to the *in personam* jurisdiction of the court.

The second prong of the patent venue statute thus has been rendered nugatory in regard to the corporate defendant since "a regular and established place of business" is a more difficult test to satisfy than that for *in personam* jurisdiction.

The patent venue statute remains applicable to non-corporate defendants. The question arises regarding why a separate and distinct test for venue should be applied to defendants based solely on the form of business enterprise the defendant has chosen. No obvious answers appear, nor have any been suggested, either in the legislative history of the 1988 Act, by the Federal Circuit panel in *VE Holding*, or by commentators.

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<sup>196</sup> Except when a special venue statute not in Chapter 87 exists, is applicable, and is not capable of supplementation by the general venue statute.

Consistent with the reasons discussed in the foregoing note, the Federal Circuit decision in *VE Holding* has been allowed to stand, due to the denial of Johnson's petition for certiorari.<sup>197</sup> Thus, absent further congressional amendment, the thorough and well-reasoned opinion of the Federal Circuit in *VE Holding* will control the issue of the residence of corporate defendants in patent infringement suits. Due to the significant position of the Federal Circuit in patent appeals, and the reluctance of the Supreme Court to grant certiorari, this decision is unlikely to be overruled judicially in the foreseeable future.

For many years, commentators have suggested the need to repeal the patent venue statute.<sup>198</sup> The Federal Circuit panel which decided *VE Holding* added their voices to those calling for repeal of this statute.<sup>199</sup>

As applied by the Federal Circuit under the 1988 amendment, venue in patent infringement has been broadened as to the corporate defendant relative to non-corporate defendant. In order to equalize venue in cases of patent infringement, Congress should either broaden venue choices for non-corporate patent infringement defendants or repeal the entirety of the patent venue statute. This latter would result in venue in all patent infringement suits to be determined by the general venue statute.

THOMAS W. ADAMS

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<sup>197</sup> *V.E. Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574 (Fed. Cir. 1990), cert. denied 111 S.Ct. 1315 (1991).

<sup>198</sup> See, e.g., Richard C. Wydick, *Venue in Actions for Patent Infringement*, 25 STAN. L. REV. 551, 584 (1973). But see Neal A. Waldrop, *The Patent Venue Statute, 28 U.S.C. § 1400(b) Should Not Be Repealed*, 4 AM. PAT. L.A. Q.J. 32 (1976).

<sup>199</sup> *VE Holding*, 917 F.2d at 1583.